

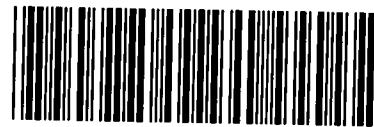
GL Africa Energy Limited

Annual report and financial statements

Registered number 08721406

Year ended 31 December 2017

WEDNESDAY



L7F90WBV

L12

26/09/2018

#126

COMPANIES HOUSE

GL AFRICA ENERGY LIMITED
COMPANY INFORMATION

DIRECTORS:

H Kariuki
N Kariuki
M K Mbaka
R M Wardle
M J Kearns

REGISTRATION NUMBER:

08721406

REGISTERED OFFICE:

10 Norwich Street,
London EC4A 1BD

AUDITOR:

KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

Contents

Group Strategic report	4
Directors' report	6
Statement of directors' responsibilities in respect of the annual report and the financial statements	8
Independent auditor's report to the members of GL Africa Energy Limited	9
Consolidated Statement of Profit and Loss and Other Comprehensive Income	11
Consolidated Balance Sheet	12
Company Balance Sheet	13
Consolidated Statement of Changes in Equity	14
Company Statement of Changes in Equity	15
Consolidated Cash Flow Statement	16
Notes	17

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017.

The Director's present their Annual Report, consisting of the Strategic Report and the Director's Reports and the Consolidated Financial Statement of GL Africa Energy Limited ("the Company") for the year ended 31 December 2017. Reference to the "group" refer to the consolidated group, being the Company and its Subsidiary undertakings.

REVIEW OF BUSINESS AND PRINCIPAL ACTIVITIES

The group's principal activity continued to be maintaining, operating and the utilisation of a heavy fuel oil (HFO) power plant located in Zambia, generating and selling electricity to the Zambian national electrical distributor, ZESCO Limited.

Financial performance and future prospects

The group made a profit of \$32,973,013 during the year (2016: \$12,505,248). In particular, the directors are satisfied with the gross profit 53.36% (2016: 78.85%), enabling the group to service its debts, the majority of which are payable to companies under common ownership of H Kariuki, the ultimate controlling party of the group.

At the year end, the net asset position of the group was \$76,297,549 (2016: \$43,324,536). In particular, the directors continue to invest in additional plant, property and equipment with the aim of increasing capacity at the power plant in Ndola, Zambia, to take advantage of anticipated long-term shortage of electrical supply in Zambia. The group doubled the capacity of the plant to over 100MWh in 2017. To this end the group capitalised \$ 49,952,232 during the year and built a small solar power project in Kenya, which was commissioned in 2018.

While the group is focusing on increasing profitability of its current operations, it is also seeking opportunities in energy solutions in the Great Lakes and Southern African region.

Financial data and Key Performance Indicators ("KPI's")

The table below summarises the group's financial results and KPI's

KPI	2017	2016
Turnover	\$99,885,390	\$28,742,206
Operating Profit	\$40,282,259	\$16,533,210
Net profit before tax percentage	33.01%	43.51%
Interest charges as a proportion of gross profit	13.71%	17.78%
Gross Electrical output (kWh)	718,032,402	335,188,258

The Turnover for the year increased because of commissioning of Phase-II in March 2017 and gross electrical output more than doubled. Also, in view of the new Fuel Supply Agreement entered into with the Ministry of Energy in 2017, the group recognised recovery of HFO as revenue and cost of HFO under cost of sales. Operating profits grew in line with turnover. Net profit margin for the year stood at 33.01% and interest charges as a proportion of gross profit at 13.71%.

FINANCIAL RISK MANAGEMENT

The groups operations expose it to a variety of financial risks. The group manages its risk to limit the adverse effects on the financial performance of the group by monitoring those risks and acting accordingly. The monitoring of the financial risk management is the responsibility of the Board of Directors ('the Board'). The policies of the Board are implemented by the Group's finance department under specific guidelines.

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017 (Contd.)**

Price risk

The group is exposed to fluctuation in global energy prices. Part of the group's contract with ZESCO Limited links the price the group is able to charge to the US Producer Price Index. The group has mitigated this exposure by ensuring that the majority of its income is linked to a capacity fee, charged at a price not linked to external markets.

Credit risk

The group has only one customer and has both a concentration risk and credit risk. ZESCO Limited is a Company owned by the Republic of Zambia and given the power shortfall that exists in that country, the Board believe that the risk of default is low.

Liquidity risk

The Directors assess and review the group's liquidity position and funding requirement on a regular basis and this is an agenda item for all the Board Meetings. They consider that the group has sufficient liquidity to manage its current commitments.

Interest rate cash flow risk

The majority of the group's debts are on a fixed rate basis, thus minimising the group's exposure to increase in interest rate.

Currency risk

All debts are denominated in USD, being the functional and presentational currency of the group as this is the currency to which its selling price is linked. The group's main supplier invoices the group in Euro, whilst local payments in Zambia are made in Zambian Kwacha. The Group minimises its exposure to currency fluctuations by maintaining bank accounts in USD, Euro and Zambian Kwacha and matching receipts and payments of same currency transactions wherever possible to avoid exchange rate variances.

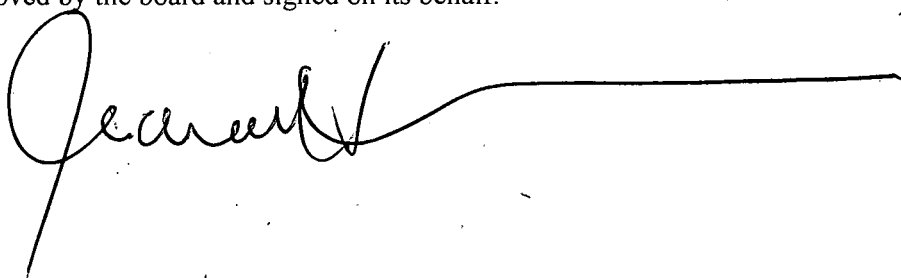
Financial Instruments

The group has a number of financial instruments, the main purpose of which are to finance the group's operations and minimise the group's exposure to risk. These comprise cash and liquid resources, long term debt, as well as receivables and payables that arise directly from its operations.

This report was approved by the board and signed on its behalf.

M J Kearns
Director

21st September, 2018

A handwritten signature in black ink, appearing to read 'M J Kearns', followed by a long horizontal line extending to the right.

Director's Report

The directors present their annual report and the audited financial statements of GL Africa Energy Limited ('the Company') and its subsidiaries ('the Group') for the year ended 31 December 2017.

The company has four subsidiaries: G.L.E. Lakes Energy Company Limited (a company incorporated in Cyprus), Great Lakes Energy Company N.V. (incorporated in the Netherlands), Ndola Energy Company Limited (incorporated in Zambia) and GL Africa Energy Limited (incorporated in Kenya). The company has indirect ownership in all companies other than G.L.E. Lakes Energy Company Limited, which it owns directly.

The Company has chosen, in accordance with Section 414C of the Companies Act 2006, to set out the following information, which would otherwise be required to be contained in the Directors' Report, in the Group Strategic Report:

- Financial risk management objectives
- Future developments of the business; and
- Financial instruments.

Going Concern

The Group has considerable financial resources together with a long term contract with its only customer, ZESCO Limited, the utility company of the Government of the Republic of Zambia. Given the deficit of power in Zambia and the Group's own financial strength, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Directors

The directors who have served during the year and to the date of this report were as follows:

H Kariuki
N Kariuki
M K Mbaka
R M Wardle
M J Kearns

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2016: \$nil).

Dividends

The directors do not recommend a dividend to be paid (2016:\$nil).

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the group and company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors is aware of that information.

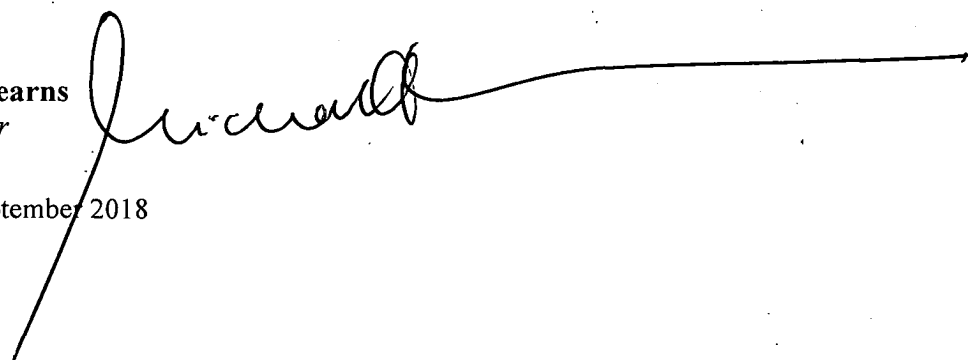
Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor, KPMG LLP, is deemed to be reappointed and will therefore continue in office.

This report was approved by the board and signed on its behalf.

M J Kearns
Director

21st September 2018

A handwritten signature in black ink, appearing to read 'M J Kearns', is written over a horizontal line. The signature is stylized and extends across the line.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GL AFRICA ENERGY LIMITED

Opinion

We have audited the financial statements of GL Africa Energy Limited ("the company") for the year ended 31 December 2017 which comprise the Annual report and financial statements and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns;
or

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Craig Douglas (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
 15 Canada Square
 London
 E14 5GL

21st September 2018

Consolidated Statement of Profit and Loss and Other Comprehensive Income
For year ended 31 December 2017

	<i>Note</i>	2017 \$	2016 \$
Revenue	2,3	99,885,390	28,742,206
Cost of sales	4	<u>(46,590,053)</u>	<u>(6,078,385)</u>
Gross profit		53,295,337	22,663,821
Administrative expenses	4	<u>(13,013,078)</u>	<u>(6,130,611)</u>
Operating profit		40,282,259	16,533,210
Financial expenses	7	<u>(7,309,246)</u>	<u>(4,027,962)</u>
Profit before tax		32,973,013	12,505,248
Taxation	8	<u>-</u>	<u>-</u>
Profit for the year		32,973,013	12,505,248
Other comprehensive income		-	-
Total comprehensive income for the year		<u>32,973,013</u>	<u>12,505,248</u>

The notes on pages 17 to 36 form part of these financial statements.

**Consolidated Balance Sheet
at 31 December 2017**

	Note	2017 \$	2016 \$
Non-current assets			
Property, plant and equipment	9	103,444,301	97,991,818
Trade and other receivables	11	<u>108,067</u>	<u>-</u>
		103,552,368	97,991,818
Current assets			
Trade and other receivables	11	124,572,994	27,976,328
Cash and cash equivalents		934,737	4,838,168
Inventory		<u>57,866</u>	<u>-</u>
		125,565,597	32,814,496
Total assets		<u>229,117,965</u>	<u>130,806,314</u>
Current liabilities			
Other interest-bearing loans and borrowings	12	6,193,159	5,953,158
Trade and other payables	13	45,632,164	3,470,048
Tax payable		<u>-</u>	<u>-</u>
		51,825,323	9,423,206
Non-current liabilities			
Other interest-bearing loans and borrowings	12	100,779,713	77,843,192
Provisions	14	<u>215,380</u>	<u>215,380</u>
		100,995,093	78,058,572
Total liabilities		<u>152,820,416</u>	<u>87,481,778</u>
Net assets		<u>76,297,549</u>	<u>43,324,536</u>
Equity attributable to equity holders of the parent			
Share capital	15	10,000	10,000
Share premium	15	11,228,110	11,228,110
Retained earnings	15	65,059,439	32,086,426
Total equity		<u>76,297,549</u>	<u>43,324,536</u>

The notes on pages 17 to 36 form part of these financial statements.

These financial statements were approved by the board of directors on 21/9/18 and were signed on its behalf by:

M J Kearns
Director
21st September 2018

Company registered number: 08721406

Company Balance Sheet
at 31 December 2017

	<i>Note</i>	2017 \$	2016 \$
Non-current assets			
Fixed assets		64,835	14,288
Investments	10	2,710	2,710
Trade and Other Receivables	11	<u>1,215,245</u>	<u>105,797</u>
		1,282,790	122,795
Current assets			
Cash and cash equivalents		7,947	4,686,071
Trade and other receivables	11	<u>11,119,434</u>	<u>11,327,120</u>
		11,127,381	16,013,191
Total assets		<u>12,410,171</u>	<u>16,135,986</u>
Current liabilities			
Trade and other payables	13	938,390	5,839,456
Non-Current liabilities			
Trade and other payables	13	3,293,480	-
Total liabilities		<u>4,231,870</u>	<u>5,839,456</u>
Net assets		<u>8,178,301</u>	<u>10,296,530</u>
Capital and reserves			
Called up share capital	15	10,000	10,000
Share premium account	15	11,228,110	11,228,110
Retained earnings	15	(3,059,809)	(941,580)
Shareholders' funds		<u>8,178,301</u>	<u>10,296,530</u>

The notes on pages 17 to 36 form part of these financial statements.

These financial statements were approved by the board of directors on 21/9/18 and were signed on its behalf by:

M J Kearns
Director
21st September 2018

Company registered number: 08721406

Consolidated Statement of Changes in Equity

	Share Capital \$	Share premium \$	Retained Earnings \$	Total equity \$
Balance at 1 January 2016	10,000	11,228,110	19,581,177	30,819,287
Profit for the year	-	-	12,505,249	12,505,249
Balance at 31 December 2016	<u>10,000</u>	<u>11,228,110</u>	<u>32,086,426</u>	<u>43,324,536</u>
	Share capital \$	Share premium \$	Retained Earnings \$	Total equity \$
Balance at 1 January 2017	10,000	11,228,110	32,086,426	43,324,536
Profit for the year	-	-	32,973,013	32,973,013
Balance at 31 December 2017	<u>10,000</u>	<u>11,228,110</u>	<u>65,059,439</u>	<u>76,297,549</u>

The notes on pages 17 to 36 form part of these financial statements.

Company Statement of Changes in Equity

	Called up Share capital \$	Share Premium account \$	Retained Earnings \$	Total equity \$
Balance at 1 January 2016	10,000	11,228,110	(455,133)	10,782,977
Loss for the year	-	-	(486,447)	(486,447)
Balance at 31 December 2016	10,000	11,228,110	(941,580)	10,296,530

	Called up Share capital \$	Share Premium account \$	Retained Earnings \$	Total equity \$
Balance at 1 January 2017	10,000	11,228,110	(941,580)	10,296,530
Loss for the year	-	-	(2,118,229)	(2,118,229)
Balance at 31 December 2017	10,000	11,228,110	(3,059,809)	8,178,301

The notes on pages 17 to 36 form part of these financial statements.

Consolidated Cash Flow Statement
for year ended 31 December 2017

	<i>Note</i>	2017 \$	2016 \$
Cash flows from operating activities			
Profit for the year		32,973,013	12,505,248
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment	9	4,798,957	2,920,034
Financial expense	7	7,309,246	4,027,962
Increase in trade and other receivables		(96,704,733)	(16,359,886)
Increase in inventories		(57,866)	-
Increase /(decrease) in trade and other payables		42,162,116	(3,110,366)
Net cash used in operating activities		<u>(9,519,267)</u>	<u>(17,011)</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	9	(10,251,440)	(32,101,370)
Net cash used in investing activities		<u>(10,251,440)</u>	<u>(32,101,370)</u>
Cash flows from financing activities			
Interest paid	7	(3,377,424)	(6,80,759)
Proceeds from new loans	12	25,263,387	29,908,769
Repayment of borrowings	12	(6,018,687)	-
Net cash used in financing activities		<u>15,867,276</u>	<u>29,228,010</u>
Net decrease in cash and cash equivalents		(3,903,431)	(2,890,371)
Cash and cash equivalents at 1 January 2017		4,838,168	7,728,539
Cash and cash equivalents at 31 December 2017		<u>934,737</u>	<u>4,838,168</u>

The notes on pages 17 to 36 form part of these financial statements.

Notes (forming part of the financial statements)

1 Accounting policies

GL Africa Energy Limited (the “Company”) is a private company incorporated, domiciled and registered in England in the UK. The registered number is 08721406 and the registered address is 10 Norwich Street, London, EC4A 1BD.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the “Group”). The parent company financial statements present information about the Company as a separate entity and not about its group. The Company makes use of the exemption available in s408 CA2006 from presenting its own profit and loss account.

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”). The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements

1.2 Measurement convention

The financial statements are prepared on the historical cost basis.

1.3 Going concern

The company has considerable financial resources together with a long term contract with its only customer, ZESCO Limited, the utility company of the Government of the Republic of Zambia. Given the deficit of power in Zambia and the Group’s own financial strength, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

1.4 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.5 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign

currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

1.6 Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.7 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of

the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- buildings 16 years
- plant and machinery 25 years
- office equipment 3 years
- motor vehicles 4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.9 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.10 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.11 Revenue

Revenue comprises the fair value of consideration received or receivable for the sale of electricity to the end user. Revenue is measured at the fair value of consideration receivable and is shown net of discounts and Value Added Tax (or its local equivalent). Revenue is recognised when the Group has transferred all risks and rewards to the buyer and to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

1.12 Expenses

Cost of Sales

Cost of sales is booked at actuals based on the contractual agreements. Fuel cost is determined based on the Fuel Supply Agreement with the Ministry of Energy.

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.13 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided contemporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.14 *Adopted IFRS not yet applied*

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

IFRS 9 Financial Instruments (effective date 1 January 2018)

- IFRS 9 'Financial Instruments' ('IFRS 9') is effective for the Group from 1 January 2018. Following a preliminary analysis, the Group provisionally expects that financial assets will be measured at amortised cost, except for equity instruments and derivative financial instruments that will be measured at fair value. The Group is currently in the process of performing a more detailed assessment of the impact of this standard.
- The Group intends to apply the general approach to the recognition of expected credit losses to all financial assets; except for trade receivables and leases to which the simplified approach will be taken regardless of whether they contain a significant financing component. The probability of default is not expected to be significant given the high credit quality of the financial assets. It is anticipated that more hedging instruments and hedged items will qualify for hedge accounting under IFRS 9.

IFRS 15 Revenue from Contract with Customers (effective date 1 January 2018)

- Contracts with Customers' and the associated amendments and clarifications, all of which are effective for the Group from 1 January 2018. Following a preliminary analysis of income earning arrangements, there is thought to be no significant impact.

IFRS 16 Leases (effective date 1 January 2019)

- The Group is currently analysing the impact of implementing IFRS 16 'Leases' ('IFRS 16') which is effective for the Group from 1 January 2019. The Group's only lease relates to land for the power plant, which is currently classified as operating leases under IAS 17 'Leases'. The Group expects to recognise 'right-of-use' assets and corresponding lease liabilities. The value of these is expected to be greater than the future minimum lease payments disclosed in Note 19. This analysis will continue in 2018.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective date 1 January 2018)

- The future application of this pronouncement is not expected to have a material impact on the Group's or Company's accounting policies, financial position or performance.
- This pronouncement has not yet been endorsed by the EU.
- Despite the IASB effective date of 1 January 2017, this pronouncement has yet to be endorsed by the EU (expected 2018). The endorsement notice will be reviewed for specific guidance but in the absence of further information it is anticipated that the Group will apply this pronouncement for the accounting period following endorsement, i.e. 1 January 2018.

Amendments to IAS 7: Disclosure Initiative (effective date 1 January 2018)

- The future application of this pronouncement is not expected to have a material impact on the Group's or Company's accounting policies, financial position or performance.
- This pronouncement has not yet been endorsed by the EU.
- Despite the IASB effective date of 1 January 2017, this pronouncement has yet to be endorsed by the EU (expected 2018). The endorsement notice will be reviewed for specific guidance but in the absence of further information it is anticipated that the Group will apply this pronouncement for the accounting period following endorsement, i.e. 1 January 2018.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective date to be confirmed)

- The future application of this pronouncement is not expected to have a material impact on the Group's or Company's accounting policies, financial position or performance.
- This pronouncement has not yet been endorsed by the EU.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective date to be confirmed)

- The future application of this pronouncement is not expected to have a material impact on the Group's or Company's accounting policies, financial position or performance.
- This pronouncement has not yet been endorsed by the EU.

2 Segment Information

All of the group's revenue arose from the supply of electricity within Zambia, being a continuing operation. There is one business segment, in one geographical location.

3 Revenue

	2017 \$	2016 \$
Supply of electricity	99,885,390	28,742,206
Total Revenue	<u>99,885,390</u>	<u>28,742,206</u>

All of the Group's revenue is earned from the supply of electricity within Zambia.

4 Cost of Sales and Administrative Expenses

	2017 \$	2016 \$
Operations and maintenance	5,946,185	5,025,927
Fuel and other direct costs	40,643,868	1,052,458
Management and consultancy fees	2,459,095	929,975
Personnel Expenses	925,714	802,020
Depreciation and amortisation	4,798,957	2,920,034
Other Expenses	<u>4,829,312</u>	<u>1,478,582</u>
	<u>59,603,131</u>	<u>12,208,996</u>

5 Auditors' remuneration

	2017 \$	2016 \$
Audit of these financial statements	56,835	65,000

Amounts receivable by the company's auditor and its associates in respect of:

Audit of financial statements of subsidiaries of the company	21,825	33,115
Taxation compliance services& other non-audit Services	15,000	15,600

6 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2017	2016
Administration	16	17
Management	4	3
	<u>20</u>	<u>20</u>

The aggregate payroll costs of these persons were as follows:

	\$	\$
Wages and salaries	925,714	802,020
	<u>925,714</u>	<u>802,020</u>

During the year 2017, the Group paid \$242,408 (2016: \$213,548) to the directors of various entities in the Group. The remuneration of the highest paid director was \$99,095 (2016: \$103,806).

7 Finance income and expense

Recognised in profit or loss

	2017	2016
	\$	\$
Finance expense		
Total interest expense on financial liabilities measured at amortised cost	524,420	765,337
Interest on Loans from related parties	6,731,163	3,262,625
Net foreign exchange loss	79,898	-
Total finance expense (A)	<u>7,335,481</u>	<u>4,027,962</u>
Finance Income	\$	\$
Finance Income	(26,235)	-
Total Finance Income (B)	<u>(26,235)</u>	<u>-</u>
Net Finance Expense (A-B)	<u>7,309,246</u>	<u>4,027,962</u>

8 Taxation

Recognised in the income statement

	2017	2016
	\$	\$
Current tax expense		
Current year	-	-
Current tax expense	-	-
Deferred tax expense	-	-
Origination and reversal of temporary differences	-	-
Deferred tax expense		
Total tax expense	=	=

Reconciliation of effective tax rate

	2017	2016
	\$	\$
Profit for the year	32,973,013	12,505,248
Tax using the UK corporation tax rate of 19.25% (2016:20.00%)	6,347,305	2,501,050
Non-taxable income	(7,196,405)	(2,985,594)
Non-deductible expenses	27,262	74,503
Current year losses for which no deferred tax asset was recognised	<u>821,838</u>	<u>410,041</u>
Total tax expense	<u>0</u>	<u>0</u>

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19.25% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

At the year end, the Group has an unrecognised deferred tax asset of approximately \$821,838 (2016: \$410,041) made up of losses carried forward. This asset has not been recognised due to uncertainty over future taxable profits.

The Group's main operating entity has an agreement with the Zambia Development Agency, whereby it receives a 100% corporate tax exemption until 2019, a 50% corporation tax exemption from 2021 until 2022 and a 25% corporation tax exemption from 2023 until 2024, in respect of its activities in Zambia.

9 Property, plant and equipment

Group	Plant and Equipment \$	Land and Buildings \$	Office Equipment \$	Motor Vehicles \$	Asset under Construction \$	Total \$
Cost						
Balance at 1 January 2016	57,207,032	8,000,860	305,617	240,145	8,901,469	74,655,123
Additions	62,180	-	19,719	-	32,019,471	32,101,370
Balance at 31 December 2016	57,269,212	8,000,860	325,336	240,145	40,920,940	106,756,493
Balance at 1 January 2017	57,269,212	8,000,860	325,336	240,145	40,920,940	106,756,493
Additions	6,742	401,701	62,021	38,635	9,742,341	10,251,440
Transfer	36,685,030	13,267,202			(49,952,232)	
Balance at 31 December 2017	93,960,984	21,669,763	387,357	278,780	711,049	117,007,933
Depreciation						
Balance at 1 January 2016	4,559,294	993,595	167,616	124,136	-	5,844,641
Depreciation charge for the year	2,282,118	500,055	86,920	50,941	-	2,920,034
Balance at 31 December 2016	6,841,412	1,493,650	254,536	175,077	-	8,764,675
Balance at 1 January 2017	6,841,412	1,493,650	254,536	175,077	-	8,764,675
Depreciation charge for the year	3,505,211	1,191,056	57,614	45,076		4,798,957
Balance at 31 December 2017	10,346,623	2,684,706	312,150	220,153		13,563,632
Net book value						
At 31 December 2016	50,427,800	6,507,210	70,800	65,068	40,920,940	97,991,818
At 31 December 2017	83,614,361	18,985,057	75,207	58,627	711,049	103,444,301

Security

The property, plant and equipment of Phase I aggregating to \$57 mn. is held as security against borrowings from PTA bank of \$20,000,000, the loan tenure being 8 years from 2011.

10 Investments

Shares in
group
undertakin
gs
\$

Cost

At beginning and end of year

2,710

The Company has the following investments in subsidiaries:

Company	Principal Place of Business	Registered Office Address	Nature of business	Class of shares held	Ownership 2017	Ownership 2016
G.L.E Lakes Energy Company Limited	Cyprus	FrangklinouRousvelt 140B 3011, Limmasol, Cyprus	Holding Company	Equity Shares	100%	100%
Great Lakes Energy Company N.V*	Netherlands	Valkenburgerweg 67, 6419AP, Herleen	Holding Company	Equity Shares	100%	100%
Ndola Energy Company Limited*	Zambia	Plot No. 5362, Leopards Hill Road, OffKabulonga Roundabout, Lusaka, Zambia	Generation & supply of electricity	Equity Shares	100%	100%
GL Africa Energy Limited*	Kenya	L.R. NO. 209/3336 ManderRoad, Kileleshwa P.O. Box 1931 - 00100 Nairobi-Kenya	Generation & supply of electricity	Equity Shares	100%	100%

*Shares are indirectly held.

11 Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Current trade and other receivables				
Trade receivables	68,835,795	25,608,224	400	400
Trade receivables – HFO (<i>note below</i>)	42,078,656	-	-	-
Amount receivable from related parties	205,583	-	154,265	-
Prepayments and accrued income	267,423	77,028	-	-
Other receivables	13,185,537	2,185,279	111,647	75,000
Amount receivable from subsidiary undertakings	-	-	10,853,122	11,251,720
Total current trade and other receivables	124,572,994	27,870,531	11,119,434	11,327,120

Note: This is receivable from ZESCO for HFO used in the generation of electricity. As per the Fuel Supply Agreement between the Company and Ministry of Energy ('MoE'), the Company is liable to pay for HFO only on recovery of this amount from ZESCO.

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Non-current trade and other receivables				
Other receivables	108,067	105,797	108,067	105,797
Amount receivable from subsidiary undertakings	-	-	1,107,178	-
Total non-current trade and other receivables	108,067	105,797	1,215,245	105,797

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Total trade and other receivables	124,681,061	27,976,328	12,334,679	11,432,917

12 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 16.

	2017	2016
	\$	\$
Non-current liabilities		
Unsecured loans from related parties	79,064,360	56,740,000
Interest payable to related parties	19,451,341	15,820,492
Secured loans from other entities	2,264,012	5,282,700
	100,779,713	77,843,192
Current liabilities		
Unsecured loans from related parties	1,650,000	1,650,000
Interest Payable to related parties	1,524,472	1,284,472
Secured loans from other entities	3,018,687	3,018,686
	6,193,159	5,953,158

The secured loan is the remaining balance of a loan of \$20,000,000 obtained from PTA Bank at an interest of 3 month LIBOR plus a margin of 7.6% per annum which was reduced to 6% per annum effective 4th April 2015. The loan is secured on the moveable and immovable assets of the company repayable quarterly and the tenor is 8 years from 2011.

Loan Type	Currency	Interest Rate	Year of Maturity	Face Value (2017)	Carrying Amount (2017)	Face Value (2016)	Carrying Amount (2016)
Secured	USD	LIBOR+6%	2019	5,282,699	5,282,699	8,301,386	8,301,386
Unsecured	USD	7.375%	2020	63,564,360	63,564,360	41,240,000	41,240,000
Unsecured	USD	0.000%	On Demand	50,000	50,000	50,000	50,000
Unsecured	USD	15.000%	On Demand	1,400,000	1,400,000	1,400,000	1,400,000
Unsecured	USD	15.000%	2019	15,500,000	15,500,000	15,500,000	15,500,000
Unsecured	USD	15.000%	On Demand	200,000	200,000	200,000	200,000

13 Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Current trade and other payables				
Trade payables	41,620,859	2,764,238	289,760	276,510
Trade payables to related parties	-	-	-	562,946
Other payables	1,458,369	303,720	-	-
Accruals	2,552,936	402,090	-	-
Payables to Subsidiary Undertakings	-	-	648,630	5,000,000
Total Current trade and other payables	45,632,164	3,470,048	938,390	5,839,456

As per the Fuel Supply Agreement between the Company and Ministry of Energy, the Company is liable to pay for HFO only when it has received payment for the same from ZESCO.

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Non-current trade and other payables				
Payables to Subsidiary Undertakings	-	-	3,293,480	-
Total non- current trade and other payables	-	-	3,293,480	-

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Total trade and other payables	45,632,164	3,470,048	4,231,870	5,839,456

14 Provisions

	Rehabilitation cost \$
Balance at 1 January 2017 and 31 December 2017	215,380

The Group's operating subsidiary, Ndola Energy Company Limited ("NECL"), is required at the end of the Power Purchase Agreement period to rehabilitate environmental disturbances caused by its operations. The restoration, rehabilitation and environmental provision represent the directors' best estimate of expenditure required to settle the obligation. NECL is expected to make contributions to the Environmental Protection Fund, controlled by the Department of Mines and Mineral Development, Zambia.

A valuation for the environmental restoration provision was performed on 31 December 2015 using the assumptions applied by an independent expert in calculating the provision for a similar plant. The Directors have formed an opinion that the provision has not materially changed in the year ended 31st December 2017.

The timing of decommissioning payments is expected to occur when the land rental agreement expires in 2027. The liability for restoration, rehabilitation and environmental obligations is undiscounted as the effect of discounting is considered immaterial to the financial statements.

15 Capital and reserves

Share capital and share premium

	Group		Company	
	2017 \$	2016 \$	2017 \$	2016 \$
1,000,000 Ordinary shares of \$0.001 each	10,000	10,000	10,000	10,000
Share Premium	11,228,110	11,228,110	11,228,110	11,228,110
	11,238,110	11,238,110	11,238,110	11,238,110

16 Financial instruments

16(a) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The group has only one customer and has both a concentration risk a credit risk. ZESCO Limited is a Company owned by the Republic of Zambia and given the power shortfall that exists in that country, the Board believe that the risk of default is low.

The maximum exposure to credit risk at the balance sheet date by class of financial instrument was:

	2017	2016
Cash and cash equivalents	934,737	4,838,169
Other receivables	10,659,723	180,796
Trade receivables	68,835,795	25,608,224
Trade receivables - HFO	42,078,656	-
Total	122,508,911	30,627,189

The concentration of credit risk for trade receivables at the balance sheet date by geographic region was:

	2017 \$	2016 \$
Zambia	110,914,451	25,608,224
UK	108,067	105,796
Kenya	216,973	75,000
Mauritius	205,583	-
Uganda	10,129,100	-
Total	121,574,174	25,789,020

The concentration of credit risk for trade receivables at the balance sheet date by customers was:

	2017 \$	2016 \$
ZESCO Limited - electricity	68,835,795	25,608,224
ZESCO Limited – HFO	42,078,656	-

Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was:

	Gross 2017 \$	Impairment 2017 \$	Gross 2016 \$	Impairment 2016 \$
Not past due	9,572,777	-	3,000,639	-
Past due (0-30 days)	9,884,317	-	2,799,077	-
Past due (31-90 days)	17,944,827	-	5,373,867	-
More than 90 days	73,512,530	-	14,434,741	-
Total	110,914,451	-	25,608,324	-

16 Financial instruments (continued)

No impairment or provision to the amount due from ZESCO is deemed necessary by the Directors as it is backed by the Government of the Republic of Zambia.

16 (b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that sufficient resources and flexibility is maintained to allow the company and Group to meet its obligations without incurring unacceptable losses or risking damage to the Great Lakes name in the market place. The Group manages liquidity risk by maintaining adequate banking facilities and continuously monitoring forecast and actual cash flows.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

		2017				
	Carrying amount \$	Contractual cash flows \$	1 year or less \$	1 to 2 years \$	2 to 5 years \$	5 years and over \$
Non-derivative financial liabilities						
Secured bank loans	5,282,699	5,713,400	3,355,315	2,358,085	-	-
Trade and other payables	45,632,164	45,632,164	45,632,164	-	-	-
Unsecured Loans from Related Parties	101,690,173	119,887,538	3,174,472	32,071,984	84,641,082	-

		2016				
	Carrying amount \$	Contractual cash flows \$	1 year or less \$	1 to 2 years \$	2 to 5 years \$	5 years and over \$
Non-derivative financial liabilities						
Secured bank loans	8,301,387	9,285,101	3,585,067	3,346,591	2,353,442	-
Trade and other payables	3,470,048	3,470,048	3,470,048	-	-	-
Unsecured Loans from Related Parties	75,494,964	94,420,660	2,934,472	-	91,486,188	-

16 Financial instruments (continued)

16 (c) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments

Market risk - Price risk

The group is exposed to fluctuation in global energy prices. Part of the group's contract with ZESCO Limited links the price the group is able to charge to the US PPI Index. The group has mitigated this exposure by ensuring that the majority of its income is linked to a capacity fee, charged at a price not linked to external markets

Market risk - Foreign currency risk

The Group is exposed to currency risk on purchases and cash and cash equivalents denominated in a currency other than US dollar, primarily Euro and Zambian Kwacha ("ZMW"). The group mitigated this risk by holding bank accounts in Euro and ZMW as well as US dollar so that liabilities can be settled in the denomination in which they occur. The group has ensured that all sales and borrowings are denominated in US dollars. The group does not use any hedging strategies

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts:

31 December 2017

	Sterling (In USD)	Euro (In USD)	ZMW (In USD)	KSH (In USD)	Total (In USD)
Cash and cash equivalents	3,521	3,082	104,962	(1,916)	109,649
Trade receivables	-	-	2,832,802	76,067	2,908,869
Trade payables	-	(1,640,269)	(1,275,661)	(219,152)	(3,135,082)
Net exposure	3,521	(1,637,187)	1,662,103	(145,001)	(116,564)

31 December 2016

	Sterling (In USD)	Euro (In USD)	ZMW (In USD)	Total (In USD)
Cash and cash equivalents	12,343	8,915	7,147	28,405
Trade receivables	-	-	2,172,307	2,172,307
Trade payables	-	(2,232,563)	(667,192)	(2,899,755)
Net exposure	12,343	(2,223,629)	1,512,262	(699,043)

USD	2017 (Avg Rate)	2016 (Avg Rate)	2017 (year End Spot rate)	2016 (year End Spot rate)
Euro	1.13	1.1531	1.1832	1.0541
GBP	1.2971	1.3705	1.3670	1.2345
ZMW	0.1049	0.0958	0.0997	0.1010
KSH	0.0097	-	0.0096	-

Sensitivity analysis

A 10 percent strengthening of the USD against respective currencies at 31 December 2017 would have changed the profit for the period and the accumulated profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

16 Financial instruments (continued)

Effect in USD

	2017	2016
	Profit/(loss)	Profit/(loss)
10% on Net exposure to currency risks (EURO)	163,719	222,363
10% on Net exposure to currency risks (ZMW)	(166,210)	(151,226)
10% on Net exposure to currency risks (GBP)	(352)	(1,234)
10% on Net exposure to currency risks (KSH)	14,500	-
Total	11,657	69,903

A 10 percent weakening of the USD against the above currencies at 31 December 2017 would have had the equal but opposite effect on the above currencies to the amounts shown

Market risk – Interest rate risk

Profile

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

	2017	2016
	\$	\$
Fixed rate instruments		
Financial liabilities	80,664,360	58,390,000
Variable rate instruments		
Financial liabilities	5,282,699	8,301,387

The variable interest rate is on the secured loan from PTA Bank which is based on 3 Month USD LIBOR.

Sensitivity analysis

An increase of 100 basis points in interest rates at the balance sheet date would have decreased equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for 2016.

	2017	2016
	\$	\$
Profit or loss		
Increase	(52,827)	(83,013)
Decrease	52,827	83,013

16 Financial instruments (continued)

Fair Value of Financial instruments

Fair value of a financial instrument is defined as the amount for which the instrument could be exchanged in a current transaction between willing parties, other than in a force or liquidation sale. Wherever applicable, further information about the assumptions made in determining the fair value is disclosed in the notes specific to the asset or liability.

Group	2017		2016	
	Carrying Amount (USD)	Fair Value (USD)	Carrying Amount (USD)	Fair Value (USD)
Financial assets				
Cash and cash equivalents	934,737	934,737	4,838,168	4,838,168
Trade and other receivables	124,681,061	124,681,061	27,976,328	27,976,328
Financial liabilities				
Trade and other payables	45,632,164	45,632,164	(3,470,048)	(3,470,048)
Loans and borrowings including interest accrued	106,972,872	106,972,872	(83,796,350)	(83,796,350)

Measurement of financial instruments

The Group holds certain financial instruments which are measured in the balance sheet at fair value. The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

In the current and previous year, all financial instruments held by the Group are level 3.

17 Operating leases

The Group has taken land and office space under operating lease for its operations. The land has been taken on lease for a period of 16 years with an option to increase the term for a further 5 years. The monthly lease payment for the land is \$5000. Further, the Company also has an office under operating lease for annual lease amount of GBP 80,750.

Non-cancellable operating lease rentals are payable as follows:

	2017 \$	2016 \$
Less than one year	164,975	159,686
Between one and five years	554,925	638,744
More than five years	555,000	615,000
Total	<u>1,274,900</u>	<u>1,413,429</u>

18 Contingencies

A contingent liability has been recognised as a result of a guarantee of \$477,507 to third parties with ECO Bank, Zambia (2016: \$477,507).

19 Related parties

The following loans were owed to companies under the common control of H Kariuki, the ultimate controlling party of the Group, by the company and its subsidiaries:

Year ended 31 December 2017

	Loan Payable (\$)	Interest Payable (\$)	Interest Charged for the Year (\$)
Dalbit International Limited	79,064,360	19,451,341	6,490,862
Dalbit Petroleum Limited	200,000	189,370	30,000
Sonia Finance Limited	50,000	-	-
Concordia Energy Group Limited	1,400,000	1,335,102	210,000
	<u>80,714,360</u>	<u>20,975,813</u>	<u>6,730,862</u>

Year ended 31 December 2016

	Loan payable (\$)	Interest payable (\$)	Interest charged for the year (\$)
Dalbit International Limited	56,740,000	15,820,493	3,022,625
Dalbit Petroleum Limited	200,000	159,370	30,000
Sonia Finance Limited	50,000	-	-
Concordia Energy Group Limited	1,400,000	1,125,102	210,000
	<u>58,390,000</u>	<u>17,104,965</u>	<u>3,262,625</u>

The loan payable to Dalbit International Limited is due in September 2019 for \$ 15,500,000 and attracts 15% interest and December 2020 for \$63,564,360 attracts interest at 7.375%. All other loans are repayable on demand and attract interest at 15%, except Sonia Finance Limited which is interest free.

Key Management Personnel

During the year 2017, the Group paid \$242,408 (2016:\$213,548) to the directors of various entities in the Group. These directors represents the key management personnel of the Group.

The company and the Group also had the following trading balances with entities under common control of H Kariuki, the ultimate controlling party of the Group:

	2017 Balance owed to the group / (by the group) \$	2016 Balance owed to the group / (by the group) \$
Belgravia Services Limited	-	(2,889)
Belgravia Construction Limited	(1,622)	-

These balances are repayable on demand and no interest has been charged.

20 Critical accounting judgements and key sources of estimation uncertainty

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy to be followed could materially affect the reported amounts of revenues, expenses, assets and liabilities of the group should it later be determined that a different choice would be more appropriate. In addition, in preparing the consolidated accounts in conformity with IFRS, the Company is required to make estimates and assumptions that impact on the reported amounts of revenues, assets and liabilities of the Group. Actual results may differ from these estimates. These are discussed below. These critical accounting judgements and key sources of estimation uncertainty should be read in conjunction with the full statement of accounting policies in note 1.

Revenue

The nature of the energy industry in the Zambia in which the Group operates is such that the Group's revenue recognition is not subject to any degree of estimation. The assessment of energy sales to ZESCO, which is the only customer of the Group, is based on meter readings, which are carried out at the end of every month at rates defined in the PPA. Revenue from the sale of energy to ZESCO Limited is based on the value of the units supplied between meter readings. At the end of each month, amounts of energy delivered since the last billing date are calculated and recorded in revenue.

Impairment of Trade Receivables

Trade receivables are stated net of allowance for impairment of doubtful debts. The Group estimates its provision for impairment taking into account future cash flows, based on prior experience, ageing analysis and an assessment of the current economic environment within which the Group operates. Such estimates involve a significant degree of judgement. The provision for impairment of trade receivables at 31 December 2017 amounted to \$NIL (2016 \$NIL) and trade receivables and accrued income (net of the provision for impairment) amounted to \$124,572,994 (2016:\$27,976,328).

Impairment of property, plant and equipment

In certain circumstances property, plant and equipment is required to be reviewed for impairment. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of the expected future cash flows of the relevant Cash Generating Unit ("CGU"), or disposal value if higher. The discount rate applied is based on the Group's weighted average cost of capital with appropriate adjustments for the risks associated with the CGU. Estimates of cash flows involve a significant degree of judgement and are consistent with management's plans and forecasts. At 31 December 2017, the carrying value of property, plant and equipment amounted to \$103,404,301 (2016: \$97,991,818).

21 Ultimate parent company and parent company of larger group

The group's ultimate controlling party is H Kariuki.

22 Subsequent events

Commercial production for Solar Plant in Kenya started in January 2018.